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March 10, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: New England Gas Company, D.T.E. 06-3

Dear Ms. Cottrell:

Please find attached the responses of New England Gas Company to the First Set of Information Requests issued by the Department of Telecommunications and Energy in this proceeding. Please contact me at (617) 951-1400 or Kevin Penders at (401) 574-2212 if you have any questions regarding this filing.

Very truly yours,

John K. Habib

John K. Habib

Enclosures
cc: Jody Stiefel, Hearing Officer
Joseph Rogers, Assistant Attorney General
Jamie Tosches, Assistant Attorney General
George Yiankos
Kevin Brannelly
Andreas Thanos
Patricia Crowe, Esq.
Kevin Penders

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
TO NEW ENGLAND GAS COMPANY
D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-01

Please indicate which customer classes are the target of the proposed Company's Gas Commodity Purchasing Practice.

RESPONSE

The change in purchasing practice is intended to benefit all customers. Sales customers will experience more stable prices, making planning and budgeting easier while customers evaluating transportation service will have more appropriate and stable pricing information to help them evaluate their service alternatives.

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D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-02

The Company proposes to purchase up to 50 percent of its annual gas-supply purchase requirements in advance (Company Filing at 2). Please:

a. Explain why the Company selected the level of 50 percent of its annual supply requirements and not a greater or less percentage. Is the 50 percent level optimal for price stabilization?

b. Discuss what the Company means by "up to 50 percent". Under the Company's proposal, is it possible to purchase in advance less than 50 percent of the Company's annual supply requirements? If yes, explain how the Company would determine the optimal amount to purchase in advance.

c. Indicate whether the purchase up to 50 percent of the Company's requirements applies to the annual gas-supply purchase requirements under normal weather conditions or design weather conditions.

RESPONSE

a. The 50 percent level provides a reasonable balance between purchasing most of its annual supply (i.e., all supply excluding storage withdrawals), in the current market and purchasing most of the supply on a forward basis. Prices may drop significantly during periods when mild weather is prevalent in North America. Leaving room to purchase supply at market prices during those periods will prove beneficial. Moreover, when forward purchases are made, they must either be used or resold, potentially at a loss. In months where there is a substantial shift between temperatures at the beginning of the month and the end, such as March, April, October or November, exceptionally warmer than normal weather during the warmer part of the month can cause even a 50 percent level of forward purchases to result in unanticipated injections and potential imbalances. Higher levels of purchases would increase this risk while a purchase level of 50 percent leaves little risk that the supply will have to be resold at a loss or create a problem with balancing deliveries and use.

Also, because the purchases are being made well in advance, there is a risk that the purchase forecast used to plan the purchases will prove to be too high. This could be the result of migration to transportation service or because warm weather caused a lower level of storage withdrawal, thereby reducing the need for supply for injection. At a 50 percent level of forward purchases, there is room to accommodate changes in the market.

At the same time, the 50 percent level is sufficient to provide a substantial hedge, especially for the winter, because the locked-price purchases work in conjunction with underground storage to provide protection for about two-thirds of customers' expected use at prices established prior to the start of winter. The combination of a significant baseload supply and flexible storage supply, used together, provides significant pricing protection by enhancing the ability to focus the use of storage on periods of the highest prices. A level below 50 percent would be less effective.

b. During the phase in period, the Company could have less than 50 percent purchased, but 50 percent would be the targeted level. Changes in the forecast because of customer migration or storage fill requirements could cause results to vary.

c. The purchase plan is based on normal weather conditions.

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Dated: March 10, 2006
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INFORMATION REQUEST DTE 1-03

Please indicate additional costs (e.g., operational or administrative) that the Company would incur when implementing the new Gas Commodity Purchasing Practice. If there are any additional costs, indicate how the Company plans to recover them.

RESPONSE

There would be no meaningful additional costs. The plan would be implemented in the normal course of business by the Company's purchasing staff.

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Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-04

The Company states that it has implemented a similar structure in the Rhode Island service territory and has been successful in stabilizing rates for customers (Company Filing at 2). Please:

a. Explain the differences between the structure applied in Rhode Island and the proposed structure to be applied in Fall River and North Attleboro service territories.

b. Discuss similarities and differences in the market structure of the three companies' service territories. Explain why a purchasing plan successful in Rhode Island would be successful in Fall River and North Attleboro as well.

RESPONSE

a. The most fundamental difference is that the Rhode Island purchase plan is structured with an incentive mechanism which is based on the average of the baseload purchases (mandatory, uniform) as a benchmark to determining the incentive or penalty to the Company from discretionary purchases. There is also a minimum level of purchases at fixed pricing including the quantities available from storage for November and March at 75 percent and for December, January and February at 80 percent.

   At different times the level of baseload forward (mandatory) purchases has been at 40 percent and 50 percent but was raised to 70 percent in April 2005 (60 percent in the months of April and October). A copy of the approved purchase program is attached as Attachment DTE-1-04.

b. The markets served in Rhode Island and Massachusetts are very similar. Many of the largest customers are on transportation service and the vast majority of the remaining customers are on sales service.

   The plan in Rhode Island has succeeded in providing more stable prices to customers during the last several winters. It has been particularly successful because it has provided for substantial forward purchasing in a sharply rising

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price environment. Because it operates at a higher forward purchase commitment level, a minimum of 70 percent (60 percent in the months of April and October) versus 50 percent, it will provide greater price stability than the program proposed for Massachusetts but with the risk that a drop in prices would cause customers to pay significantly more than they would have absent the purchasing program. It also runs a greater risk that the high level of baseload supply may make it necessary to resell excess supply at a loss if weather is unusually warm in transition months.

Gas Procurement and Asset Management Incentive Plan for NEG

Revised Effective April 7, 2005

I. Objectives

A. To encourage the New England Gas Company ("NEG" or "Company") to achieve lower overall gas commodity costs for its customers; and

B. To encourage the Company to minimize fixed costs and obtain the maximum value from its pipeline, storage and supply resources.

II. Structure of the Incentive Plan

A. The Incentive Plan ("Plan") has two components

1. A Gas Procurement Incentive Program ("GPIP"); and

2. An Asset Management Incentive Program ("AMIP").

B. This Plan became effective June 1, 2003. It will be reviewed with each gas cost recovery ("GCR") filing. The Company will file Plan results semi-annually at the end of January and July. These reports shall include reporting all Plan activity and results through the end of the month prior to the filing.

1. Gas Procurement Incentives apply only to discretionary purchases made on or after June 1, 2003. The first month for which the incentive will be calculated under the Plan will be November 2003.

2. Beginning in 2005, the AMIP applies to fixed gas supply expenditures for the 12-months ended June 30th of each year except for the 2004/2005 year, which will include the period from November 1, 2004 to June 30, 2005.

C. Limits on Incentives – Both the GPIP and the AMIP, will be subject to limits on the magnitude of incentives applicable to the Company in each fiscal year.

1. For the Gas Procurement Incentive Program limitations are placed on the maximum amount of incentives that can be earned or penalties paid by NEG for each fiscal year. For at least the first two years of the program (i.e., through June 30, 2005):

    a. NEG may not earn more than $1,000,000 in Gas Procurement Incentives in any fiscal year; and

    b. NEG may not be exposed to penalties of more than $500,000 in any fiscal year.

2. For the AMIP the maximum amount of incentive for the Company for a one-year period will be $400,000. Since the Rhode Island Public Utilities Commission ("Commission") annually reviews and can exercise control over the amount of fixed gas supply costs projected for the coming GCR period, no specific penalty structure is proposed to address unanticipated increases in Asset Management costs.

D. The Company will file its forecasted normal weather natural gas purchase requirements with its annual GCR filing. In addition, whenever the Company updates its annual forecast of projected purchases at the time of the annual update or in the event that an adjustment based on migration is warranted, it will file support for the revised purchase forecast with the Commission and Division.

III. <u>The Gas Procurement Incentive Program</u>

A. The Company will make purchases of natural gas incorporating the lock of the NYMEX Henry Hub portion of the variable cost. For any future gas supply month the Company will make three types of gas purchases:

1. Mandatory Purchases

    a. Are defined as mandatory monthly purchases of gas volumes made in uniform monthly increments. (Mandatory purchases will vary as the forecast of purchases is updated periodically.)

    b. Will equal 60% of forecasted normal weather gas purchase requirements for the April and October gas supply months and 70% of forecasted normal weather gas purchase requirements for the remaining ten months. Purchases will be based on the forecast of requirements in place when the purchases are made.

c. Will be purchased in uniform monthly increments on a mandatory basis starting 24 months prior to the month of delivery and ending 4 months prior to the start of deliveries.

d. The first purchases made each month will be deemed the Company's mandatory purchases up to the amount of the Company's uniform monthly purchase requirement unless such purchases are made under the recommended purchase guidelines ("RPG") as defined below.

2. Discretionary Purchases

a. Are defined as the physical volume purchased at least 6 business days prior to the start of the delivery month for delivery to the system or storage in excess of the Mandatory Purchase requirements in a month and which, in aggregate, do not exceed 45% of forecasted normal weather gas purchase requirements for a given gas supply month.

b. The cost and benefit of any financial hedges will be included in the calculation of the average unit price.

3. Other Discretionary Purchases Not Subject To Incentives

a. LNG and propane supplies.

b. Supplies that lock in price but are not part of the program i.e., the Distrigas FCS contract.

c. Purchases made less than 6 business days prior to the beginning of the month, during the month or under a contract which does not allow for the locking of the price.

d. Purchases made due to updated levels of forecasted migration of throughput volumes from transportation service to sales service.

B. Computation of Gas Procurement Incentives

Gas Procurement Incentives will be determined on the basis of comparisons of the volume-weighted average cost per dekatherm of Discretionary Purchases made after June 1, 2003, and the volume weighted average cost per dekatherm of mandatory gas purchases made after June 1, 2003 for the same gas supply month. All comparisons will be based on the NYMEX portion of the variable cost per dekatherm of the purchased gas supply.

C. Any purchases made for a future gas supply month, excluding other Discretionary Purchases not subject to incentives as shown in III.A.3, that are in excess of the mandatory purchase requirement for the month, will be deemed discretionary purchases.

D. The timing of discretionary purchases is left solely to the discretion of the Company. However, beginning in November 2005 the Company will make sufficient Discretionary Purchases by November 1st of each year, such that a minimum of 80% of supply needed for December, January and February and 75% of supply needed for a normal November and March will be at a fixed or capped price. The fixed and capped supplies will include all forward purchases, financially based hedges, DOMAC FCS contract purchases, LNG purchases and storage supplies.

F. After all purchases for forecasted gas requirements for a given gas supply month are completed, the volume-weighted average cost of Discretionary Purchases is computed.

1. If the weighted average cost of Discretionary Purchases is less than that for Mandatory Purchases, NEG earns a positive incentive equal to 10% of the difference between the weighted average cost of Discretionary Purchases and the weighted average cost of Mandatory Purchases in dollars per dekatherm multiplied by the actual volume of Discretionary Purchases.

2. If the weighted average cost of discretionary purchases is greater than that for mandatory purchases the Company will be assessed a penalty (i.e., negative incentive) equal to 10% of the difference in dollars per dekatherm between the weighted average cost of Discretionary Purchases and the weighted average cost of Mandatory Purchases for the same gas supply month multiplied by the actual volume of Discretionary Purchases.

3. If the weighted average cost of Discretionary Purchases is more than $0.50 below the weighted average cost of Mandatory purchases then NEG will receive a Meritorious Performance Bonus equal to 10% of the difference between the weighted average cost of Discretionary Purchases and the weighted average cost of Mandatory Purchases multiplied by the actual volumes of Discretionary Purchases.

IV. The Asset Management Incentive

A. For each gas supply year during the effective period of this incentive program, NEG will earn a dollar incentive based on reductions achieved in fixed gas supply and fixed storage costs from the amounts projected as accepted by the Commission for each gas supply year. The net effect of fixed costs recovered from marketers under the capacity assignment feature of the Company's transportation program will not be counted in the calculation of the incentive. The calculation will include all fixed costs associated with gas supply, asset management fees or credits, capacity release credits and off-system sales margins.

B. To discourage achievement of fixed costs savings through the manipulation of gas commodity purchases, the amount of the Asset Management Incentive shall be dependent upon the Company's success in its Gas Procurement activities.

1. If the Company's actual gas procurement costs at the time of the Company's last annual GCR filing are **below** its projected gas procurement costs on a dollars per dekatherm basis, then NEG shall be provided an Asset Management incentive equal to 20% of the amount by which the sum of the Company's actual fixed gas supply costs and fixed storage costs are below the projected fixed gas supply and fixed storage costs accepted by the Commission for the gas supply year.

2. If the Company's actual gas procurement costs at the time of the Company's last annual GCR filing are **above** its projected gas procurement costs on a dollars per dekatherm basis, then NEG shall be provided an Asset Management incentive equal 10% of the amount by which the sum of the Company's actual fixed gas supply costs and fixed storage costs are below the projected fixed gas supply and fixed storage costs accepted by the Commission for the gas supply year.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF
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TO NEW ENGLAND GAS COMPANY
D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-05

The Company states that it would begin locking in purchases of supply starting two years prior to the month of delivery and ending four months prior to the month of delivery (see page 2 of the company's filing). Please:

a. Explain why the Company chose two years and not another period of time (i.e., one or three years), and

b. Explain why the purchases will end four months prior to the month of delivery and not a different period (i.e., less than four months or more then four months).

RESPONSE

a. The Company's experience over the last several years has demonstrated better results for purchases beyond 1 year. Under current market conditions, the Company can make forward purchases at a lower price for April 2008 than April 2007.

   There are two issues which arise relating to purchasing gas for periods of longer than two years. First, market liquidity is much lower, thereby reducing the number of potential suppliers and the bid/asked spread is higher, potentially resulting in higher cost. Second, the market may change if new LNG terminals are permitted and new record levels of drilling are set. The Company believes that purchasing gas for a locked-in two year period is reasonable.

b. During the first three years of the Rhode Island program, the Company had previously ended purchases two months prior to the month of delivery. The Company concluded based on that experience that a four month period is better because it reduces the effect of shorter term disruptions from unusually cold winter weather, unusually hot summer, hurricanes, etc. There is a strong tendency for weather to revert to the mean (i.e., climatology) within a two to three month period and for prices to follow after a lag.

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D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-06

Please discuss whether the purchase of 1/20th (i.e., five percent) per month of the projected gas requirements would be a fixed proportion. Please indicate what circumstances, if any, in which the Company could alter the proportion of five percent.

RESPONSE

Once the program reached full implementation, the five percent level would not be changed without review by the Department.

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D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-07

The Company proposes to implement an expanded proportion of locked-in purchases for earlier months in order to achieve the benefits of the plan on an expedited basis by purchasing at a rate higher than the five percent level so that the level of supply locked in starting in July 2006 would reach the 50 percent level. Please:

a. Explain why the Company selected the date July 2006.

b. Discuss when the Company would come back to the systematic purchasing plan of five percent per month.

RESPONSE

a. The Company would prefer to have a significant amount of purchasing completed before the coming hurricane and air conditioning seasons reach their peak.

b. The initial expanded proportional purchases would be completed by July 31, 2006 so that, from that point forward, the purchases made would be at the proposed 5 percent per month level.

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D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-08

Please refer to the Company Filing at 1. Explain why the Company procures much of the remainder of the gas supply required to meet customer needs based on a "first-of-the-month" or "spot" basis throughout the peak season.

RESPONSE

Currently, with the exception of stored supply, the Company procures its supply at market prices at the time of delivery. It purchases baseload supplies at a monthly index, often referred to as the first-of-the-month prices, and daily supply at published daily index prices. Purchasing supply in this manner causes the commodity gas costs of the Company to be based on identifiable and verifiable market prices.

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Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-09

Please indicate the percentage of the Company's total annual gas requirements that is made of non-storage supplies. If the Company purchased 50 percent of its (non-storage) annual gas-supply requirements in advance, what percentage of the total annual gas-supply would this represent? Explain how the Company purchases its storage gas supplies.

RESPONSE

Under the Plan, the Company will purchase 50 percent of the gas supplies to fill storage on a forward basis. This will cause the supply in storage to be priced at a blend of current and forward purchases. Therefore, as a result of the fact that the Company's storage gas supply is purchased as a component of the Plan to meet its total annual gas requirements, determining an annual total for non-storage supply purchases is not practical. However, when determining the percentages to be used for the winter heating season, the combination of storage withdrawals and 50 percent advanced purchasing provides for the ability to protect about two-thirds, or 66.1 percent of total winter normal weather requirements from substantial price increases.

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Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-10

Please explain the Company's position that its customers prefer price stabilization to least cost supply.

RESPONSE

Respectfully, the Company did not state in its January 3, 2006 Filing ("Filing") that its customers prefer price stabilization to least cost supply. It has not conducted any surveys or market-based polling to be able to confirm or deny such an assertion. However, the Filing states that over the last few years gas customers throughout New England have experienced substantial fluctuations and increases in rates, frequently at the height of the winter heating season, and that recent experience and industry literature indicate that the volatility of the wholesale natural gas market will not be relieved anytime soon (Filing at 1).

Further, the proposed purchasing plan would achieve the goal of stabilizing gas costs for customers through the implementation of a program that involves systematic purchasing of a portion of the winter gas supply over a 24-month period through a forward purchasing strategy. As noted in the Filing, the Company has had this same approach in place in Rhode Island for several years and, over that time, customers have experienced price increases as a result of price volatility in the wholesale gas markets, but to a far lesser degree than customers in Massachusetts.

It is not clear that price stabilization and least cost supply are separate distinct choices. If least cost is defined as buying at the current market price at the time of delivery, there is no data to support the concept that such a price is least cost. If the events that cause market prices to change rapidly are random and therefore, not subject to prediction, prices established over time should be comparable over the long run but more stable. If one assumes that prices are subject to a floor defined by the finding, development and production costs, but may spike dramatically to balance supply and demand during peak demand conditions, it may be that buying over longer periods may result in lower costs than buying at market.

Under either the current program or the price stabilization program the Company will purchase supply from the lowest cost supply options available. That is, if gas is generally

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available at lower prices in South Texas the Company will lock South Texas supply first and will achieve a lower price by relying on the final basis, the difference between the published price for the location and the actual NYMEX closing price for month, to determine the overall price. The Company will pursue the same least cost oriented buying strategy it does today, only it will be doing so at different points in time for a portion of each month's requirements at the time it makes the purchases.

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Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-11

Please submit a copy of the information request responses that have been submitted to the Rhode Island Public Utilities Commission in the Company's annual Gas Cost recovery Filing, Docket No. 3696.

RESPONSE

The information request and responses in Docket No. 3696 related to the Gas Purchasing Incentive Program are attached as Attachment DTE-1-11.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Gary L. Beland

Issue Date: September 22, 2005

Q. **COMM 1-01** **Provide one-page summaries of the Gas Purchasing Program as of the end of August, the end of September, and the end of October (when available). This summary should be in the format presented at GLB-4**

A. **COMM 1-01** Attached are the reports for August and September. In addition a revised July 31st report has been included. The revision to the July 31st report is to update the "Monthly Forecasted Volume" to correct an error in the previous version.

Gas Purchasing and Incentive Plan - Locked Volumes Ending July 31, 2005
New England Gas Company - Rhode Island

Month	#Monthly Forecasted Volumes-Dth	Mandatory Purchases-Dth	Discretionary Purchases-Dth	Monthly "Locked" Volumes-Dth	Percent "Locked"	Average Wellhead/ NYMEX Price	Total Cost of Purchases
Nov-05	3,093,739	2,091,360	77,640	2,169,000	70%	$6.9357	$15,043,575
Dec-05	3,952,852	2,505,265	89,435	2,594,700	66%	$7.4899	$19,433,931
Jan-06	4,167,385	2,398,346	205,654	2,604,000	62%	$7.7435	$20,164,167
Feb-06	3,587,355	1,925,728	163,072	2,088,800	58%	$7.8296	$16,354,436
Mar-06	3,811,874	1,765,295	144,305	1,909,600	50%	$7.6270	$14,564,606
Apr-06	2,604,104	1,206,720	35,280	1,242,000	48%	$6.7029	$8,325,045
May-06	2,009,761	789,074	20,026	809,100	40%	$6.6562	$5,385,537
Jun-06	1,428,230	580,890	19,110	600,000	42%	$6.7503	$4,050,180
Jul-06	1,342,381	474,145	15,655	489,800	36%	$6.9918	$3,424,570
Aug-06	1,339,239	398,567	13,733	412,300	31%	$7.0389	$2,902,158
Sep-06	1,418,949	384,330	8,670	393,000	28%	$7.0174	$2,757,825
Oct-06	2,281,980	552,699	14,601	567,300	25%	$6.9779	$3,958,561
	31,037,849	15,072,419	807,181	15,879,600	51%	$7.3279	$116,364,591

New forecast volumes for GCR effective for November 2005 forward.

Summary of Gas Purchasing and Incentive Plan - Locked Volumes Ending August 31, 2005
New England Gas Company - Rhode Island - Combined 18 and 24 month plans*

*Month	#Monthly Forecasted Volumes-Dth	Mandatory Purchases-Dth	Discretionary Purchases-Dth	Monthly "Locked" Volumes-Dth	Percent "Locked"	Average Wellhead/ NYMEX Price	Total Cost of Purchases
Nov-05	3,093,739	2,091,360	77,640	2,169,000	70%	$6.9357	$15,043,575
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Feb-06	3,587,355	1,953,728	163,072	2,116,800	59%	$7.8582	$16,634,156
Mar-06	3,811,874	1,924,697	146,103	2,070,800	54%	$7.8486	$16,252,804
Apr-06	2,604,104	1,340,580	36,420	1,377,000	53%	$6.8951	$9,494,595
May-06	2,009,761	895,094	22,506	917,600	46%	$6.8676	$6,301,742
Jun-06	1,428,230	662,370	21,630	684,000	48%	$6.9738	$4,770,060
Jul-06	1,342,381	556,140	17,360	573,500	43%	$7.2279	$4,145,227
Aug-06	1,339,239	467,077	16,523	483,600	36%	$7.2707	$3,516,113
Sep-06	1,418,949	450,090	8,910	459,000	32%	$7.2474	$3,326,565
Oct-06	2,281,980	640,150	17,050	657,200	29%	$7.2285	$4,750,580
		15,884,897	822,303	16,707,200		$7.4120	$123,833,515

New forecast volumes for GCR effective for November 2005 forward.

* 24 month plan commenced January 1, 2005

Summary of Gas Purchasing and Incentive Plan - Locked Volumes Ending September 30, 2005
New England Gas Company - Rhode Island

*Month	#Monthly Forecasted Volumes-Dth	Mandatory Purchases-Dth	Discretionary Purchases-Dth	Monthly "Locked" Volumes-Dth	Percent "Locked"	Average Wellhead/ NYMEX Price	Total Cost of Purchases
Nov-05	3,093,739	2,091,360	77,640	2,169,000	70%	$6.9357	$15,043,575
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Feb-06 **	3,587,355	1,953,728	163,072	2,116,800	59%	$7.8582	$16,634,156
Mar-06 **	3,811,874	1,924,697	146,103	2,070,800	54%	$7.8486	$16,252,804
Apr-06	2,604,104	1,414,530	37,470	1,452,000	56%	$7.0362	$10,216,545
May-06	2,009,761	1,023,031	24,769	1,047,800	52%	$7.2814	$7,629,472
Jun-06	1,428,230	729,840	23,160	753,000	53%	$7.2502	$5,459,370
Jul-06	1,342,381	620,062	18,538	638,600	48%	$7.5666	$4,832,032
Aug-06	1,339,239	534,285	17,515	551,800	41%	$7.6575	$4,225,393
Sep-06	1,418,949	517,980	10,020	528,000	37%	$7.5254	$3,973,395
Oct-06	2,281,980	721,153	19,747	740,900	32%	$7.5924	$5,625,245
	31,037,849	16,434,277	833,123	17,267,400		$7.4991	$129,490,085

New forecast volumes for GCR effective for November 2005 forward.

* 24 month plan commenced January 1, 2005

** = January, February & March were not completed due to Hurricanes Katrina & Rita

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Gary L. Beland

Issue Date: September 22, 2005

Q. COMM 1-02 **Provide a calculation of the monthly average commodity cost of gas delivered to the Company's city gate for each month of 2005 (as available to date).**

A. COMM 1-02 Please refer to the attached chart.

New England Gas Company - RI									
Attachment to COMM 1-02									
Commodity Month	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05
Gated Volume	4,282,279	3,438,287	3,506,962	1,887,403	1,628,059	813,915	733,328	713,185	738,811
Gated Cost	$32,415,601	$24,319,744	$25,183,948	$12,739,359	$10,883,402	$5,420,035	$5,103,694	$5,371,446	$6,409,809
Average	$7.570	$7.073	$7.181	$6.750	$6.685	$6.659	$6.960	$7.532	$8.676
Storage Volume (wd)	900,428	955,685	670,597	19,046	0	49	534	116	0
Storage Cost	$4,789,243	$5,083,146	$3,603,179	$107,529	$0	$286	$3,172	$704	$0
Average	$5.319	$5.319	$5.373	$5.646		$5.842	$5.940	$6.069	
Total Volume	5,182,707	4,393,972	4,177,559	1,906,449	1,628,059	813,984	733,862	713,301	738,811
Total Cost	$37,204,844	$29,402,890	$28,787,128	$12,846,888	$10,883,402	$5,420,321	$5,106,866	$5,372,150	$6,409,809
Average	$7.179	$6.692	$6.891	$6.739	$6.685	$6.659	$6.959	$7.531	$8.676
Includes pipeline commodity costs and fuel losses									
LNG (produced)									
Storage Volume	469,856	38,708	71,294	17,701	17,221	19,000	18,459	23,485	18,653
Storage Cost	$3,759,447.32	$301,286.74	$550,136.94	$137,558.63	$133,605.93	$145,837.67	$147,942.44	$196,162.42	$160,960.19
Average	$8.0013	$7.7836	$7.7165	$7.7712	$7.7583	$7.6757	$8.0147	$8.3527	$8.6292
LPG									
Storage Volume	43,571	0	0	0	0	0	0	0	0
Storage Cost	$479,780	0	0	0	0	0	0	0	0
Average	$11.011	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Peter C. Czekanski

Issue Date: September 22, 2005

Q. COMM 1-03 The Company has estimated a net penalty under the Gas Purchasing Plan of approximately $127,200. Has the Company reflected a credit to ratepayers in the GCR filing for this penalty?

A. COMM 1-03 No. The estimated net penalty under the Gas Purchasing Plan has not been reflected in the GCR filing. Consistent with the procedure established last year, upon Commission approval of the Company's Gas Procurement and Asset Management incentives/penalties, the Company will reflect the results in the Company's deferred gas cost balance account. For example, last year's approved Gas Purchasing Plan incentive can be seen on Schedule PCC-2, Schedule 1, page 1 as a line item entry in the Variable Supply Cost category and the Asset Management incentive in the Storage Fixed category.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Gary L. Beland

Issue Date: September 22, 2005

Q. COMM 1-09 **Under the Gas Purchasing Plan approved in April, § III D requires the Company to secure certain levels of winter supply by November 1 through a combination of forward purchases, hedges, storage, LNG or its Domac FSC contract.**

If the Company makes the required 70% or 60% mandatory purchase levels for the winter months, does § III D require any discretionary purchases to be made? [Assume normal storage levels and LNG levels are filled for the winter.]

A. COMM 1-09 No. When combined with storage, the mandatory purchase required by the Plan are sufficient to meet the minimum requirements.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor:	Commission
Respondent:	Gary L. Beland
Issue Date:	September 22, 2005

Q. COMM 1-10 **As this is the initial period under the new requirements of § III D of the Gas Purchasing Plan and the Plan changes were made in April, will the Company meet the § III D requirements for November 1, 2005?**

A. COMM 1-10 The projected November 1st purchases and storage is sufficient to meet the § III D requirements for November, December and January of 75%, 80% and 80% respectively. February is projected at 76.8%, slightly below the 80% requirement while March is projected at 63.4%, 11.6% below the 75% required.

The levels in February and March are below the requirement for two reasons. First, the Company has not made all of the purchases necessary to bring the level of mandatory purchases to the levels approved in the April 7, 2005 Plan. The Company, in consultation with the Division, made all of the purchases for the summer and most for the early winter but left some of the later purchases to be phased in over time. Second, since late August, the Company has, in consultation with the Division and Commission, refrained from buying at the exceptionally high prices caused by Hurricanes Katrina and Rita. See, October 5, 2005 letter from Gary L. Beland to RIPUC, attached. The supplies not purchased have been primarily for February and March of 2006.

October 5, 2005

New England Gas Company

Ms. Luly Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RJ 02888

Re: Docket No. 3436, Gas Purchasing Incentive Plan

Dear Ms. Massaro:

In light of the drastic upward trending of the natural gas market as a result of Hurricanes Katrina and Rita, the New England Gas Company ("Company") has consulted with the Division of Public Utilities and Carriers ("Division") regarding the feasibility of foregoing certain mandatory purchases in the month of August for the months of January, February, and December 2006, and in September for the months of February and March 2006. Given the drastic post-hurricane increase in market prices, both the Company and the Division are of the opinion that making purchases at this time would be imprudent and excessively costly for ratepayers. Therefore, the Company will make up these purchases when the short-term effects of the hurricane have abated and market conditions are more reasonable.

The Company wishes to emphasize that its supply outlook for this winter remains strong, and that for this winter, not including storage, the Company has already locked 71% for December, 67% for January, 62% for February, and 54% for March. Given the market's reactionary turn following the hurricanes, this decision should in no way detrimentally impact the Company's winter portfolio.

Thank you for your attention to this filing. If you have any questions relative to the issues raised in this letter, please contact me directly at (401) 574-2223.

Sincerely,

Gary L. Beland
Director, Gas Supply

Cc: Steve Scialabba, Division
Tom Massaro, Commission
Bruce Oliver

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Peter Czekanski

Issue Date: October 4, 2005

Q. COMM 2-01 In Order No. 16909, the Commission noted NEGas' estimation that the gas cost "undercollection was approximately $35 million by the end of March 2001", what was the total revenues, distribution and gas costs, for ProvGas and Valley Gas at that time?

A. COMM 2-01 The Company has been unable to readily identify the total revenues, distribution and gas costs for the combined ProvGas and Valley Gas at the end of March 2001. However, as reflected in the Company's annual financial report, for the twelve months ended December 31, 2001, the total gas operating revenues were $321,033,631 and total purchased gas costs were $180,637,764.

It is important to note that the $35 million undercollection at the end of March 2001 was the result of significant increases in gas costs from December 2000 through March 2001. At the time of the Company's September 2000 gas cost filings, the deferred gas cost balance at the end of March 2001 was projected to be $13 million and by the end of June 2002, less than $2 million (the September 2000 filing was for the October 2000 through June 2002 period).

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Gary Beland

Issue Date: October 4, 2005

Q. COMM 2-07 **Can NEGas compare its recent performance under its gas purchasing plan to the recent performance of any other gas purchasing plan, which utilizes financial hedging?**

A. COMM 2-07 One gas purchasing plan or planning tool we are familiar with is Planalytics Energy's Gas Buyer client service. In a recent advertisement for the service (attached) they show results of $7.58 per dekatherm for September 2005, $7.21 for August 2005 and $6.50 for July 2005. The Company's results for the same months is September at $6.41, August at $6.22 and July at $6.10, averaging 12% lower than Planalytics. We have no detailed information available for any other plan or program which we could use to perform an accurate comparison with the Gas Purchase Incentive Plan.

Clients using the GasBuyer's fully hedged methodology achieved an average cost of:

September 2005

$7.58 per MMBtu

25% lower than the NYMEX settlement price of $10.14

July 2005	August 2005
$6.50 per MMBtu	**$7.21** per MMBtu
9% lower than the NYMEX settlement price of $7.45	3% lower than the NYMEX settlement price of $7.45

Planalytics® GasBuyer℠ helps utilities proactively and prudently manage natural gas costs and price risk in an increasingly complex and volatile market.

Introductory GasBuyer Webcasts

We invite you to learn more about the GasBuyer and how it could become a key part of your risk management or hedging program by scheduling a 45-minute Webcast at a time that is convenient for you. **Please contact Dave Frieberg** at **610.407.2905** or via email at **dfrieberg@planalytics.com** for more information or to reserve a Webcast date.

The GasBuyer is a price analysis and decision support tool used by companies purchasing or hedging natural gas. The tool provides a year-ahead view of the market that identifies when gas is undervalued and when it is overvalued based on a combination of key fundamental, technical and market analysis along with proprietary long-range climate forecasts.

New England Gas Company
Docket No. 3696

Data Request and Response

Requestor: Commission

Respondent: Gary Beland

Issue Date: October 17, 2005

Q. COMM 3-06 **Provide one-page summaries of the Gas Purchasing Program as of the end of April and the end of May. This summary should be in the format presented at GLB-4.**

A. COMM 3-06 Please refer to the attached.

Summary of Gas Purchasing and Incentive Plan - Locked Volumes Ending April 30, 2005
New England Gas Company - Rhode Island - Combined 18 and 24 month plans*

*Month	#Monthly Forecasted Volumes-Dth	Mandatory Purchases-Dth	Discretionary Purchases-Dth	Monthly "Locked" Volumes-Dth	Percent "Locked"	Average Wellhead/ NYMEX Price	Total Cost of Purchases
Nov-05	3,038,661	1,360,440	73,560	1,434,000	47%	$6.7180	$9,633,600
Dec-05	3,877,729	1,611,876	86,924	1,698,800	44%	$7.2101	$12,248,550
Jan-06	4,080,915	1,574,366	201,934	1,776,300	44%	$7.4504	$13,234,117
Feb-06	3,548,445	1,286,348	158,452	1,444,800	41%	$7.5602	$10,922,940
Mar-06	3,643,394	1,190,989	138,911	1,329,900	37%	$7.3036	$9,713,106
Apr-06	2,903,426	830,130	30,870	861,000	30%	$6.3421	$5,460,510
May-06	1,884,557	494,574	13,826	508,400	27%	$6.2489	$3,176,942
Jun-06	1,528,112	351,060	11,940	363,000	24%	$6.3280	$2,297,070
Jul-06	1,497,240	235,290	9,610	244,900	16%	$6.5763	$1,610,543
Aug-06	1,352,533	198,431	6,169	204,600	15%	$6.6257	$1,355,615
Sep-06	1,394,557	191,790	6,210	198,000	14%	$6.5566	$1,298,205
Oct-06	2,378,793	293,849	6,851	300,700	13%	$6.5460	$1,968,376
		9,619,143	745,257	10,364,400		$7.0356	$72,919,573

New forecast volumes for GCR effective for November 2004 forward.
* 24 month plan commenced January 1, 2005
x Includes the purchases made based on the Commission's letter of December 3,2004.

Summary of Gas Purchasing and Incentive Plan - Locked Volumes Ending May 31, 2005
New England Gas Company - Rhode Island - Combined 18 and 24 month plans*

*Month	#Monthly Forecasted Volumes-Dth	Mandatory Purchases-Dth	Discretionary Purchases-Dth	Monthly "Locked" Volumes-Dth	Percent "Locked"	Average Wellhead/ NYMEX Price	Total Cost of Purchases
Nov-05	3,038,661	1,958,400	75,600	2,034,000	67%	$6.8604	$13,954,050
Dec-05	3,877,729	2,165,939	87,761	2,253,700	58%	$7.3188	$16,494,279
Jan-06	4,080,915	2,041,226	203,174	2,244,400	55%	$7.5521	$16,949,901
Feb-06	3,548,445	1,615,208	159,992	1,775,200	50%	$7.6283	$13,541,836
Mar-06	3,643,394	1,446,491	140,709	1,587,200	44%	$7.3761	$11,707,367
Apr-06	2,903,426	939,000	33,000	972,000	33%	$6.4041	$6,224,745
May-06	1,884,557	577,034	15,066	592,100	31%	$6.3140	$3,738,507
Jun-06	1,528,112	417,930	14,070	432,000	28%	$6.4082	$2,768,340
Jul-06	1,497,240	310,155	12,245	322,400	22%	$6.6277	$2,136,768
Aug-06	1,352,533	261,547	8,153	269,700	20%	$6.6762	$1,800,573
Sep-06	1,394,557	252,810	8,190	261,000	19%	$6.6443	$1,734,165
Oct-06	2,378,793	377,797	9,703	387,500	16%	$6.6320	$2,569,900
		12,363,537	767,663	13,131,200		$7.1296	$93,620,431

New forecast volumes for GCR effective for November 2004 forward.
* 24 month plan commenced January 1, 2005
x Includes the purchases made based on the Commission's letter of December 3,2004.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS OF
THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
TO NEW ENGLAND GAS COMPANY
D.T.E. 06-3

Dated: March 10, 2006
Respondent: Gary L. Beland

INFORMATION REQUEST DTE 1-12

Please discuss any potential downside to the proposed purchasing plan, and the steps the Company has put in place to address them.

RESPONSE

The possible downside to the program is that prices of forward purchases under the program may turn out to be above the prices of gas the Company would have bought under its existing purchase approach. The use of a strategy that calls for a 50/50 split between buying at market prices at the time of delivery and pre-buying supply over an extended horizon balances the exposure to high prices at the time of use with the potential that forward pricing may prove to be higher than prices at the time of use and limits the potential for the pre-bought purchases to cause prices to be significantly higher.